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Jean McDonald, Chair
Board of Commissioners
Marshfield Housing Authority
12 Tea Rock Gardens
Marshfield, MA 02050

Dear Chair McDonald:

In 2013, the Office of the Inspector General (OIG) learned of the alleged misuse of a Marshfield Housing Authority (MHA) credit card by Eric Meech (Meech), MHA's former maintenance supervisor. Meech resigned in March 2013 shortly after these allegations surfaced.

The OIG conducted a review of these and several other allegations relating to Meech. The OIG discovered significant internal control weaknesses and oversight deficiencies that render the MHA susceptible to fraud, waste, and abuse of its funding. For each identified deficiency, the OIG is recommending corrective action. The OIG requests that the Board of Commissioners review these recommendations and provide the OIG with a written corrective action plan by November 20, 2014.

A. Credit cards

The MHA provided Meech and other employees with MHA credit cards for business-related use. The MHA required each cardholder to provide receipts or other documentation to the MHA bookkeeper to support any credit card charges. According to the MHA, employees received these instructions verbally; the MHA could not provide any written credit card policies. The Board of Commissioners (the Board) approves the monthly credit card invoices for payment.

Between January 2009 and March 2013, Meech charged \$29,886.62 to his MHA-issued credit card, constituting 68 percent of all MHA credit card charges for that time period. As the maintenance supervisor, Meech purportedly needed to buy hardware, supplies, and equipment necessary for facility maintenance. However, the vast majority of Meech's credit card use occurred at gas stations, service stations and convenience stores. Meech also used the credit card at liquor stores, grocery stores and multiple locations near a property that he owned in Plymouth. Meech had authorization to use the card to purchase fuel for the MHA-owned pick-up truck.

However, the frequency and dollar value of the charges Meech made at gas stations appears suspiciously high considering the card's intended use. For example, Meech made six charges totaling \$2,080 during two days, January 11, 2013 and January 12, 2013, at the Cedar View Filling Station in Marshfield. According to the owner of the station, the charges did not relate to gasoline, vehicle repairs or maintenance, but may have been associated with the purchase of "sundries and lottery."

The OIG found that despite MHA's credit card policy, Meech routinely failed to submit receipts or other supporting documentation for his credit card purchases. For example, credit card charges at Goodrich Lumber, Marshfield Tire, Mid-Cape Home Centers and AT&T had no supporting documentation. Of the charges for which Meech did provide backup records, countless were un-itemized receipts, which did not describe the goods purchased or their relation to a specific MHA purpose. Meech's failure to provide proper documentation makes it difficult to distinguish between personal and legitimate business-related expenses. The MHA should have required Meech to reimburse it for purchases that had no documentation or un-itemized receipts, and should have considered disciplinary action.

The OIG found that MHA staff did not fully acknowledge the extent to which Meech violated the credit card policy. By 2013, Meech had been violating the policy for at least a year and likely for much longer. The OIG found that MHA staff did not sufficiently address Meech's violations. Staff stated that they kept "asking" Meech for receipts. However, the MHA imposed no sanctions or penalties for failing to follow policy and the direct instructions of MHA management. For example, the MHA did not suspend Meech's ability to use the card until he provided the required backup documentation. MHA management's failure to act is especially significant because MHA staff and others believed that Meech suffered from a gambling addiction and that these undocumented credit charges may have related to the purchase of lottery tickets. MHA staff had known for months about reports from tenants that Meech had a penchant for buying large numbers of lottery "scratch" tickets.

According to MHA staff, when they finally confronted Meech in March 2013, he admitted making personal charges on the MHA credit card. Subsequent to his termination, Meech's wife reimbursed the MHA \$2,424 for his personal charges.¹ Based on the OIG's review, this is likely only a portion of what Meech charged inappropriately to the MHA credit card. However, the MHA's lack of records and documentation to support credit card purchases and its failure to conduct a timely inquiry on all questionable charges make it difficult to determine the full extent of Meech's actions.

Recommendations

1. Although it may be difficult to determine the full extent of Meech's credit card abuse, the Board should conduct a thorough review of Meech's credit card bills and supporting

¹ The MHA also stated that Meech made a \$300 payment directly to the MHA credit card. However, although a \$300 payment was made to the MHA credit card, the OIG has been unable to confirm that Meech made this payment.

documentation to determine if he owes additional restitution to the MHA. For example, the Board should determine what tangible assets Meech claimed to have purchased for the MHA, and verify that the MHA has possession of those assets. For any tangible asset that Meech claimed to have purchased that cannot be located, the Board should consider taking appropriate legal action, including notifying local police of what could be a possible theft. The Board should also request copies of receipts and invoices from the companies where Meech used the MHA credit card, in order to determine whether the purchases were appropriate.

2. The Board should consider referring this matter to the State Ethics Commission as Meech's inappropriate use of the MHA credit card could constitute an unwarranted privilege in violation of M.G.L. c. 268A.
3. The Board should immediately establish and disseminate a written credit card policy that, at a minimum:
 - a) defines the appropriate and inappropriate uses of the credit card, which would include an express prohibition against using the card for personal purchases;
 - b) establishes appropriate and reasonable purchasing thresholds. The Board should set an individual purchase threshold (*e.g.*, \$500) for credit card use that would require the Executive Director's pre-approval, in writing. The Board could also establish an aggregate monthly dollar value up to which management approval would not be needed (*e.g.*, \$500, the same total used for individual purchases). The Board should also consider lowering the \$5,000 credit limit currently assigned to each MHA card;
 - c) requires staff to submit adequate supporting documentation for all purchases, including records that clearly identify the good purchased and its specific business-related purpose;
 - d) outlines disciplinary procedures that will result from inappropriate credit card use, including but not limited to the revocation of card privileges for failing to submit the required supporting documentation and termination for using the credit card for personal charges; and
 - e) outlines a procedure for regularly auditing credit card usage.

The Board should also consider changing its policy to require staff to submit for reimbursement rather than using an MHA credit card when making incidental purchases. For maintenance-related purchases, the MHA should consider using a purchase order or invoicing system. Although less convenient for staff, a formal purchasing system creates an auditable paper trail for accountability and transparency purposes. MHA currently has "accounts" at some local businesses, but unless closely monitored, these accounts can be abused similarly to credit cards. Alternatively, the MHA should consider switching to procurement cards. These cards provide better controls over the types of purchases that

can be made, as well as more detailed reporting on expenditures. However, like credit cards, procurement cards need to be diligently monitored by MHA staff.

4. The Executive Director should be required to review and approve monthly credit card statements, purchases and relevant supporting documentation. If the Executive Director makes purchases directly, then the Board (or a sub-committee of the Board) should review and approve these purchases. The Executive Director should periodically confirm that the goods purchased with MHA credit cards are in MHA's full custody and control.
5. Recently, the MHA acquired a WEX fleet management card to handle the MHA's fuel purchase needs. The OIG applauds this decision and recommends that the MHA require staff to purchase all fuel with the WEX card. In the alternative, the MHA could consider using a vendor card for fuel purchases. The state has an existing contract for such a card that the MHA can use. Both types of cards provide greater control over fuel purchases, because they limit what can be purchased and, in some cases, where the purchase can be made. Purchases can be restricted to fuel only, thereby excluding purchases of services, supplies, incidentals and lottery tickets from a convenience store. In addition, fleet card vendors may be able to provide external monitoring and reporting. For example, the vendor may be able to provide miles-per-gallon (MPG) use reports, variance reports (multiple transactions in a day, fuel type not matching vehicle type, etc.) and other reporting not available through other credit cards. Regardless of the method used to purchase fuel, the MHA should routinely audit fuel purchases for "red flags," as described in the OIG's *Municipal Fuel Management Advisory*.²

B. Equipment and resource misappropriation

The OIG learned of numerous allegations that Meech misappropriated MHA assets and resources throughout his tenure at the housing authority. Because of the passage of time and MHA's poor recordkeeping, the OIG could not fully substantiate the allegations. Nevertheless, our review of the allegations revealed weaknesses and vulnerabilities that the MHA must address to protect its public assets.³ Specific allegations include:

- Meech may have sold one of the two MHA pick-up trucks without the Executive Director's knowledge or authorization. According to MHA staff, this pick-up truck "disappeared" one day. After his resignation, MHA management questioned Meech about this vehicle. He stated that he "junked" it. Apparently, management did not pursue additional information from Meech about why he did this, what authorization he had, and whether he received compensation. The OIG also notes that the MHA did not question

² Available at <http://www.mass.gov/ig/publications/guides-advisories-other-publications/fuel-advisory.pdf>.

³ Please refer to the OIG's *Advisory for Local Officials: Control and Use of Public Equipment and Resources*, available at <http://www.mass.gov/ig/publications/reports-and-recommendations/archive-publications/2009-2005/equipadv.pdf>.

the whereabouts of this vehicle until the OIG's inquiry. Staff stated that the vehicle was old, in need of repair, unregistered (and possibly uninsured), and could only be used on MHA property. If Meech sold the truck, the MHA did not receive any proceeds from this sale. The MHA still has the title for this vehicle and according to the Registry of Motor Vehicles, the MHA remains the last registrant.

- According to MHA staff, Meech borrowed a new \$500 chainsaw from the MHA. Sometime afterwards, Meech sold a local businessman a new chainsaw for \$100. The OIG was unable to determine if it was the same chainsaw. When Meech resigned, he attempted to return a used chainsaw to MHA staff in place of the new chainsaw he had borrowed. When MHA staff refused to accept the used chainsaw, Meech returned a "new" chainsaw to the MHA – but it is not clear if this chainsaw is the one the MHA originally purchased.
- According to MHA staff, a riding lawnmower and a generator went "missing" from the MHA for a period of time. Both items allegedly "reappeared" at the MHA at a later date. MHA staff also stated that other items, such as air conditioners and tools, were frequently reported missing or lost. Meech controlled this inventory yet management never questioned him about these inventory losses. The MHA does not routinely perform asset inventory checks.
- According to MHA staff, Meech allegedly had access to and used petty cash without authorization. When questioned by MHA staff, Meech claimed to have used the money to pay local children to shovel snow at the MHA. Meech had been told to stop using petty cash without authorization. According to the Executive Director, she personally reimbursed the petty cash when Meech inappropriately accessed these funds. However, there is no evidence that the MHA disciplined Meech for using the petty cash without authorization.
- Meech may have operated a vehicle repair business on MHA property, repairing tenants' vehicles for a fee and possibly using MHA equipment. Staff also believes that Meech performed private landscaping work as a side job. MHA management never looked into these allegations to determine whether they were true and, if so, whether they violated the conflict-of-interest law (M.G.L. c. 268A) or other laws that prohibit the use of state resources for a private business (760 CMR 4.04(1)(i)).

Recommendations

1. The MHA currently has no policy concerning the appropriate use of MHA assets. The MHA should establish a written policy on the appropriate use of equipment and other resources. At a minimum, this policy should prohibit employees from using any MHA assets for personal purposes or personal gain. It should also outline disciplinary procedures for the inappropriate use of MHA equipment and resources.

2. The MHA should conduct a comprehensive asset inventory. This inventory should be reconciled with the list of assets maintained by the MHA. The MHA should conduct physical inventory audits once a year, as required by the DHCD's Accounting Manual for State-Aided Housing Programs (also known as DHCD's "Green Book").
3. When the MHA buys an asset valued at more than \$500, the MHA fills out an inventory card that corresponds to an inventory tag, which is physically placed on the asset. The MHA should consider lowering its \$500 asset tracking threshold for equipment in order to track items such as lawnmowers, chainsaws and leaf blowers.
4. The MHA does not require management approval to purchase or dispose of MHA property. The Executive Director should approve all individual purchases and dispositions of equipment over an appropriate dollar threshold that the Board should determine (*e.g.*, \$500). For internal control and budgeting purposes, the Board could also establish a monthly aggregate amount of equipment purchases or dispositions up to which management approval would not be needed. All actions should comply with M.G.L. c. 30B, the Uniform Procurement Act.⁴
5. The MHA should discontinue using petty cash and instead implement an employee reimbursement process.
6. The MHA should institute a policy for approving any outside employment in order to eliminate any potential conflicts of interest.
7. The MHA should establish a mechanism for anonymous complaints, or an avenue for employees to bring concerns to the Board. Complaints or concerns should be diligently investigated.

C. Worker's compensation

Meech reported to the MHA that he sustained an on-site workplace injury on March 15, 2013. On this date, Meech was on vacation. Meech claimed he had come to the MHA in response to a tenant's call for assistance made directly to his cell phone, a violation of MHA policy, which required maintenance calls to be routed through the MHA office or phone service for logging purposes. The MHA received a doctor's note asserting Meech was injured, but did not conduct an investigation into the nature of the incident. The MHA submitted a worker's compensation claim on behalf of Meech to the MHA's insurance provider, the Massachusetts Chapter of the National Association of Housing and Redevelopment Officials (MassNAHRO) Insurance Group. However, neither the MHA nor Meech informed MassNAHRO of Meech's vacation status, so MassNAHRO approved the claim. Further, although Meech resigned from the MHA on March 28, 2013, he received approximately \$16,000 in worker's compensation benefits

⁴ Please refer to the OIG's *Chapter 30B Manual*,
<http://www.mass.gov/ig/publications/manuals/30bmanl.pdf>.

through August 2013. Shortly after the OIG made inquiries, MassNAHRO ended Meech's benefit payments.

According to the MassNAHRO Insurance Group, an individual is not entitled to worker's compensation if injured while off duty.

Recommendations

1. The MHA should discuss this claim with the MassNAHRO Insurance Group and the Insurance Fraud Bureau of Massachusetts to determine whether legal or administrative action is appropriate.
2. The Executive Director should become familiar with worker's compensation rules and requirements. Any future worker's compensation claims should be properly investigated and documented.

D. Personal financial relationships

The Executive Director reportedly loaned Meech \$9,000 between November 2012 and February 2013. The former Executive Director also loaned Meech money at other times during her MHA tenure. Meech also reportedly sought loans from other MHA staff and tenants.

Meech's personal financial relationships with tenants and other MHA employees could be a violation of M.G.L. c. 268A, the conflict-of-interest law,⁵ and are inappropriate from a management and organizational perspective. These financial relationships likely impacted the Executive Director's ability to impartially manage and discipline Meech.

Recommendations

1. The MHA should adopt an employee "standards of conduct" policy that outlines prohibited conduct and the penalties for violating these standards.
2. The Board should seek an opinion from the State Ethics Commission regarding these personal financial relationships.
3. If they have not done so, MHA staff should complete the State Ethics Commission's on-line training program.
4. Staff should be required to disclose to the Board any financial interests that could impact their ability to conduct their work in the best interest of the MHA.

⁵ For a summary of the state's ethics law, see <http://www.mass.gov/ethics>.

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5. The Board should consider introducing a policy to prevent these types of financial relationships.

Conclusion

By ensuring that adequate oversight, controls and safeguards are in place, the MHA can significantly decrease its vulnerability to the fraud, waste and abuse of its public funds. We look forward to your response outlining how the MHA plans to address the issues and recommendations identified in this letter. Please do not hesitate to contact us if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Glenn A. Cunha". The signature is fluid and cursive, with the first and last names being more prominent.

Glenn A. Cunha
Inspector General

cc: Aaron Gornstein, Undersecretary, Department of Housing and Community Development